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MEMORANDUM:

**Subject: Sino-Soviet Bloc Economic and Military Support
For the Castro Regime**

In return for Cuban adherence to both external and internal Communist policies and for the use of Cuba as an operational base for propaganda and subversive activities in the Western Hemisphere, the Communist bloc has underwritten the Cuban economic and military establishment. The extent of Communist economic support clearly goes beyond a mutually advantageous commercial exchange. The bloc appears willing to accept the considerable cost and inconvenience required for gaining its first foothold in Latin America. Bloc commitments are of sufficient magnitude to sustain the Cuban economy, to provide for Cuba's economic growth, to tie the country firmly to the Communist system for years to come, and to eliminate most of Cuba's traditional economic intercourse with the free world. Bloc military support is sufficient to equip the Cuban armed forces to a level which raises serious concern over future Cuban military intentions.

Military Support

Preliminary attempts to arrange the supply of Soviet bloc arms to Cuba were initiated by Havana as early as 1959. Pending a favorable response from Moscow, Cuba procured sizable quantities of small arms and ammunition in Western Europe. After the bloc's unqualified endorsement of the Castro regime, in mid-1960, however, firm military aid agreements with Cuba were concluded by both the USSR and Czechoslovakia.

In the summer of 1960, groups of Cuban military personnel began arriving in the bloc for military training, including flight instruction in jet aircraft and maintenance work on the equipment to be supplied. About the same time the first shipments of helicopters, small arms, and ammunition began to arrive in Cuba from the bloc.

Since the autumn of 1960 large shipments of bloc arms and military equipment have been supplied regularly to Cuba and bloc military advisers and technicians also have arrived. On 1 January 1961, during the military parade celebrating the second anniversary of Castro's takeover, the regime unveiled an array of military hardware indicative of deliveries up to that time. Units equipped with medium and heavy tanks, assault guns, artillery, antiaircraft weapons, and mortars, as

well as rifles and machine guns, were prominently featured.

Large additional amounts of land armaments have been supplied Cuba since January and by 1 July 1961, the bloc had delivered at least 50,000 tons, possibly much more to Cuba. Recent shipments have included at least a squadron (12) of MIG jet fighters which have long been awaited in Cuba and which will greatly enhance the capability of the Cuban air force. By 1 July at least some of this squadron were operational and equipment for one or more additional units had probably been delivered. Bloc-trained Cuban pilots are expected to demonstrate these aircraft at the 26th of July celebrations later this month, after assembly work and check-out flights have been satisfactorily completed.

The following is a partial listing of the types of bloc arms and military equipment which have been supplied to Cuba. As in the case of the MIGs, the land armaments have been supplied in sufficient quantities to outfit tactical military units.

Land Armaments

JS-2 heavy tanks
T-34 and T-54 medium tanks
SU-100 assault guns

122 mm. field guns
85 mm. field guns
76 mm. field guns
57 mm. antitank guns
85 mm. antiaircraft guns
37 mm. antiaircraft guns
30 mm. twin antiaircraft guns
12.7 mm. quad antiaircraft machine guns

120 mm. mortars
82 mm. mortars

Rocket launchers

Aircraft

MIG jet fighters
MI-1 and MI-4 helicopters
ZLIN-326 piston trainers
AN-2 single-engine transports

In addition to the equipment listed above, the bloc has provided Cuba with large amounts of small arms and ammunition, military vehicles, and a variety of other military-related items such as radar, communications equipment, engineering equipment and other supplies necessary to modernize and expand the Cuban armed forces. This support enables Cuba to

maintain military forces well beyond levels needed to ensure internal security.

Bloc Economic Support

Through a network of bilateral economic agreements with all the countries of the bloc, Cuba's economy is bound tightly to the fortunes of the Communist economic system. Prior to 1960 bloc economic contacts with Cuba consisted largely of occasional sugar purchase and a few sales of Czech manufactured goods. Within a year from the February 1960 start of the Cuban effort every country in the bloc had signed one or more bilateral economic agreements with Cuba and by now the regime depends on the bloc as a source of imports and as a market for at least two thirds of the Cuban sugar crop. Bloc economic aid has become an essential feature of the Cuban scene and Havana's plans for industrialization rest almost solely on the procurement of large-scale bloc material and technical assistance.

In contrast to 1960, when the bloc accounted for only 25 percent of Cuba's foreign trade, official Cuban pronouncements indicate bloc trade will amount to about 75 percent of the total in 1961. Under its barter agreements with Cuba the

bloc supplies those goods which are necessary to sustain the Cuban economy--petroleum, industrial machinery, foodstuffs, fertilizers, agricultural equipment, and even a variety of consumer goods often in short supply within the bloc. The supply of spare parts for Cuba's Western-built industrial establishment continues to be a major problem, but in the long-run the bloc intends to eliminate this difficulty by re-equipping the island with bloc-manufactured goods.

Bloc aid extended for Cuban economic development totals about a quarter of a billion dollars, but this program is still largely in the formative stages. Technical assistance, primarily planning and survey work, under this program is well under way, however, and construction of a few smaller projects is in progress.

Bloc Imports from Cuba

Despite the low priority of sugar in bloc import requirements and the fact that some Eastern European countries are small traditional sugar exporters, the Communist countries are taking large amounts of Cuban sugar in return for the political advantages derived from having Castro and his allies in power. On the other hand, the Soviet and Chinese populations

whose consumption rates are always severely restricted in order to make available to their governments maximum amounts of national resources, can easily absorb all of the Cuban sugar and will do so at state-set prices which return to the respective governments several times the price paid out. In 1960, bloc countries initially pledged to import about 1,800,000 tons of Cuban sugar. When Cuba's US sugar quota was cut by 700,000 tons, however, Moscow immediately responded by agreeing to accept that much additional sugar, bringing the bloc's total commitment to about 2,500,000 tons, or nearly six times more than its average annual purchases from Cuba in recent years. By the end of 1960 total bloc imports of sugar from Cuba had reached nearly 2,300,000 tons--roughly 40 percent of total Cuban sugar exports.

Following the travels by Cuban trade missions throughout the bloc in late 1960, Moscow and its allies agreed to take a total of 4,000,000 tons--valued at about \$360,000,000--of Cuban sugar in 1961 or about two-thirds of the island's crop. In addition, the bloc agreed to pay four cents a pound for the entire amount--about 30 percent more than Cuba is receiving on the world market, but still well below the premium six

cents a pound Cuba formerly received from the United States. The Soviet Union is committed to import 1,000,000 tons annually under its long-term trade agreement with Cuba and in 1961 is pledged to take up to 1,700,000 tons extra. By stipulating that the additional tonnage is to be reduced by any amount the United States takes from Cuba, Moscow paints an even more vivid picture of itself as the "benefactor" of Cuba in contrast to US "economic aggression."

Communist China boosted the amount of sugar it was scheduled to buy in 1961 from 500,000 to 1,000,000 tons--also priced at four cents a pound. The East European satellites, most of which are sugar exporters, collectively are buying about 300,000 tons. More important, the satellites are acting as intermediaries for the Cuban government by re-exporting sugar to free world countries in cooperation with Cuban trade authorities.

Although by far the most important single item, sugar is by no means the only commodity the bloc is importing from Cuba. Fruits, tobacco, minerals, and metals are being shipped to the bloc in ever-increasing volumes. A recent Czech announcement of proposed bloc aid for the Cuban mining

industry noted that the bloc would take Cuba's entire mineral exports over the next 20 years.

Bloc Deliveries to Cuba

Bloc deliveries to Cuba clearly demonstrate Communist willingness to make elaborate efforts to readjust its own plans in order to provide for Cuban needs. Chinese Communist deliveries of food grains continue, even though China itself suffers from famine. Less dramatic, but more important, was the effort by the USSR to supply Cuba's petroleum needs even though for a time this required a considerable disruption of Soviet oil export operations, particularly in the deployment of bloc tankers, and the rescheduling of deliveries to other countries.

When Castro confiscated the oil refineries in Cuba in July 1960, the USSR immediately stepped in to supply all Havana's petroleum needs. By August Soviet shipments had reached more than 300,000 tons a month--the amount considered sufficient to satisfy the minimum Cuban demand. Total petroleum shipments during 1960 amounted to approximately 2,000,000 tons. A new contract for 1961 calls for deliveries from the USSR of 4,400,000 tons of petroleum and petroleum products.

Petroleum, however, makes up only part of total deliveries from the bloc. For more than a year shipments of other items to Cuba have steadily grown in number and variety. Besides large amounts of military equipment and supplies, Soviet grain, fertilizers, metals, chemicals, motor vehicles, farm and industrial machinery, foodstuffs, and consumer goods have been arriving in quantity. In at least one instance Soviet consumers have openly complained about Moscow's efforts to supply Cuba with goods not readily available in the USSR.

The East European satellites are supplying trucks, buses, automobiles, tractors, small industrial plants, chemicals, coal, and a wide variety of consumer goods to ease shortages caused by the sharp drop in Cuban imports from the West.

Communist China continues to deliver rice, corn, meat, and other foodstuffs to Cuba despite the problems of distance and severe domestic food shortages requiring extensive Western grain imports for partial relief. Peiping also has shipped Chinese-produced trucks and is supplying textiles, toys, and some industrial equipment.

Terms of Trade

Communist desires for Castro's success result in essentially favorable prices and terms for Cuba's trade with the bloc. Thus, although the bloc pays a premium price for Cuban sugar, there is thus far no reason to believe that the USSR is charging Cuba similar premiums for bloc exports. The barter agreements, however, sharply curtail Cuba's earnings of convertible foreign exchange and restrict the country's contacts with the West. Provided with only small amounts of hard currency by bloc trade, Cuba is forced to cut its purchases from the free world to a minimum and to speed its integration into the Communist economic network.

The special position accorded to Cuba by the bloc is pointed up by a multilateral payments arrangement negotiated late last year. Under this arrangement--used only sparingly even within the bloc--the bloc allows Cuba to sell sugar and other products to one bloc country and to buy an equivalent value of goods from another. Thus, while only selling small amounts of sugar to certain countries--particularly the European satellites--Cuba can continue to purchase large quantities of goods it desires from these countries by utilizing credit balances accumulated with the USSR through sugar exports.

Bloc Economic Development Aid

In relation to Cuba's size and population bloc economic involvement in Cuban affairs is probably more extensive than the bloc has yet undertaken in any country outside the bloc. Although total bloc development credits to India, Indonesia, and the UAR considerably exceed those extended so far to Cuba, in terms of long range planning, speed of execution, and per capita support, Cuba rates well at the top of bloc efforts.

Total Sino-Soviet bloc long-term credits since February 1960 to Cuba stand at about \$250,000,000: the USSR, \$100,000,000; Communist China, \$60,000,000; Czechoslovakia, \$40,000,000; Rumania, \$15,000,000; Hungary, \$15,000,000; East Germany, \$10,000,000; and Bulgaria, \$5,000,000. Poland has not extended a formal line of credit, but is providing long-term financing for several projects on a case-by-case basis. In accordance with usual bloc practice, economic aid to Cuba consists of ten-year repayable credits mainly at 2.5 percent interest, which must be utilized in the issuing country after additional negotiations for each of the individual projects covered by the agreements. Thus far, bloc aid to Cuba does not include exchange loans, transferable credits, or grants.

Only a few of the smaller facilities to be built under these agreements have been started, but extensive surveys have been and are being carried out in Cuba by bloc technical teams. On the basis of these preliminary reports, contracts have been signed for more than 100 separate industrial projects to be constructed with bloc assistance over the next five years. Many of the promised "complete factories" are small-scale installations to produce tools, household items, clothing, and other goods which have always been imported by Cuba.

In a speech last spring, Che Guevara sketched the regime's economic plans and the role to be played by each of the participating bloc countries. The Soviet Union will concentrate its efforts in the field of mining, with the aim of expanding Cuba's output of iron ore, nickel, copper, chrome, and manganese. The nickel industry is singled out for special attention because of the large Cuban ore reserves and the sizable processing facilities already in existence. The USSR also has agreed to construct a steel mill with an eventual capacity of over 1,000,000 tons as well as fabricating plants. Other Soviet projects include an oil refinery, power stations, chemical fertilizer plants, paper factories, and cement plants.

Czechoslovakia's major undertaking is a project designed to establish a motor vehicle industry in Cuba by 1965. Vehicle components will be shipped to Cuba for assembling, but later the plans envisage fabrication facilities for at least some of the parts. The facilities of a General Motors plant confiscated by the Castro government will be used to start this project. The other satellites are to build metallurgical plants, textile factories, household appliances, food processing plants. Poland will construct two shipyards as the basic element in establishing a Cuban shipbuilding industry.

Communist China's \$60,000,000 credit is to be used to construct some 24 factories in Cuba, including textile, chemical, and paper mills, and to provide for technical assistance in agricultural development--the latter a somewhat ironic gesture for the Chinese who currently are experiencing the disastrous results of their own neglect and mismanagement of agriculture during the past ten years.

Bloc Technical Assistance

A growing influx of technical experts from bloc countries has been in progress since the spring of 1960. The situation is developing so rapidly that no accurate count has been possible,

but at least 500 bloc technicians are estimated to have been working on development projects and helping the Cuban regime with administrative and operational matters during the first six months of this year.

Bloc technicians have been employed to conduct surveys of economic resources, to make engineering studies in connection with development projects to be financed by bloc credits, and to advise major departments of the government in such critical fields as trade and finance, economic organization and planning, and industrial, agricultural, and mineral production.